

# QUARTERLY REPORT

LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

FOR THE QUARTER ENDED DECEMBER 31, 2003

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

**BALANCE SHEETS**

AS OF DECEMBER 31, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 28,937	\$ 37,061
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts-(2003, \$7,207; 2002, \$7,857).....Note 2.....	109,938	51,115
4	Inventories.....Note 1.....	2,826	3,137
5	Prepaid Expenses and Other Current Assets.....	3,224	2,837
6	Total Current Assets.....	144,925	94,150
7	Investments, Advances, and Receivables.....Note 3.....	17,896	15,640
8	Property and Equipment - Gross.....Notes 1, 4 & 9.....	903,364	880,513
9	Less: Accumulated Depreciation and Amortization.....	(376,063)	(343,656)
10	Property and Equipment - Net.....	527,301	536,857
11	Other Assets.....	38	70
12	Total Assets.....	\$ 690,160	\$ 646,717
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 6,727	\$ 14,792
14	Notes Payable.....Note 5.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....Note 8.....	-	-
16	Other.....Note 9.....	61	416
17	Income Taxes Payable and Accrued.....Note 1.....	-	-
18	Other Accrued Expenses.....Note 6.....	31,684	28,274
19	Other Current Liabilities.....Note 7.....	63,690	48,895
20	Total Current Liabilities.....	102,162	92,377
	Long-Term Debt:		
21	Due to Affiliates.....Note 8.....	518,330	518,330
22	Other.....Note 9.....	692	728
23	Deferred Credits.....	-	-
24	Other Liabilities.....	5,840	5,472
25	Commitments and Contingencies		
26	Total Liabilities.....	627,024	616,907
27	Stockholders', Partners', or Proprietor's Equity.....	63,136	29,810
28	Total Liabilities and Equity.....	\$ 690,160	\$ 646,717

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Revenue:		
1	Casino.....Note 1.....	\$ 511,243	\$ 519,692
2	Rooms.....	35,778	36,522
3	Food and Beverage.....	69,245	74,052
4	Other.....	21,516	26,017
5	Total Revenue.....	637,782	656,283
6	Less: Promotional Allowances.....Note 1.....	131,981	139,225
7	Net Revenue.....	505,801	517,058
	Costs and Expenses:		
8	Cost of Goods and Services.....	275,391	281,716
9	Selling, General, and Administrative.....	63,415	62,941
10	Provision for Doubtful Accounts.....	2,453	2,039
11	Total Costs and Expenses.....	341,259	346,696
12	Gross Operating Profit.....	164,542	170,362
13	Depreciation and Amortization.....Note 1.....	36,986	37,880
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 10.....	16,678	16,912
15	Other.....Note 10.....	6,442	6,316
16	Income (Loss) from Operations.....	104,436	109,254
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 5 & 8.....	(43,887)	(44,058)
18	Interest (Expense) - External.....Note 9.....	(467)	(371)
19	Investment Alternative Tax and Related Income (Expense) -.....Note 1.....	(2,572)	(2,046)
20	Nonoperating Income (Expense) - Net.....Note 11.....	767	(468)
21	Total Other Income (Expenses).....	(46,159)	(46,943)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	58,277	62,311
23	Provision (Credit) for Income Taxes.....Note 1.....	24,951	25,454
24	Income (Loss) Before Extraordinary Items.....	33,326	36,857
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$ ; 20__, \$ ).....		
26	Net Income (Loss).....	\$ 33,326	\$ 36,857

The accompanying notes are an integral part of the financial statements.  
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# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Revenue:		
1	Casino.....Note 1.....	\$ 115,999	\$ 118,412
2	Rooms.....	8,623	8,817
3	Food and Beverage.....	15,634	17,667
4	Other.....	5,191	6,030
5	Total Revenue.....	145,447	150,926
6	Less: Promotional Allowances.....Note 1.....	29,236	31,992
7	Net Revenue.....	116,211	118,934
	Costs and Expenses:		
8	Cost of Goods and Services.....	67,445	70,779
9	Selling, General, and Administrative.....	19,662	14,114
10	Provision for Doubtful Accounts.....	918	178
11	Total Costs and Expenses.....	88,025	85,071
12	Gross Operating Profit.....	28,186	33,863
13	Depreciation and Amortization.....Note 1.....	8,733	9,316
	Charges from Affiliates Other than Interest:		
14	Management Fees.....Note 10.....	4,105	3,829
15	Other.....Note 10.....	1,635	1,587
16	Income (Loss) from Operations.....	13,713	19,131
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....Note 5 & 8.....	(11,044)	(11,105)
18	Interest (Expense) - External.....Note 9.....	(113)	(84)
19	Investment Alternative Tax and Related Income (Expense) -.....Note 1.....	(704)	(158)
20	Nonoperating Income (Expense) - Net.....Note 11.....	117	(695)
21	Total Other Income (Expenses).....	(11,744)	(12,042)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	1,969	7,089
23	Provision (Credit) for Income Taxes.....Note 1.....	1,377	2,896
24	Income (Loss) Before Extraordinary Items.....	592	4,193
	Extraordinary Items (Net of Income Taxes -		
25	20__, \$ ; 20__, \$ ).....		
26	Net Income (Loss).....	\$ 592	\$ 4,193

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2001.....	100	\$ 1,370		\$	\$ 46,065	\$	\$ 15,518	\$ 62,953
2	Net Income (Loss) - 2002.....							36,857	36,857
3	Contribution to Paid-in-Capital.....								-
4	Dividends.....							(70,000)	(70,000)
5	Prior Period Adjustments.....								-
6									-
7									-
8									-
9									-
10	Balance, December 31, 2002.....	100	1,370	-	-	46,065	-	(17,625)	29,810
11	Net Income (Loss) - December 31, 2003...							33,326	33,326
12	Contribution to Paid-in -Capital.....								-
13	Dividends.....								-
14	Prior Period Adjustments.....								-
15									-
16									-
17									-
18									-
19	Balance, December 31, 2003.....	100	\$ 1,370	-	\$ -	\$ 46,065	\$ -	\$ 15,701	\$ 63,136

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 84,018	\$ 99,746
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(27,416)	(38,064)
5	Proceeds from Disposition of Property and Equipment.....	479	456
6	Purchase of Casino Reinvestment Obligations.....	(6,472)	(6,400)
7	Purchase of Other Investments and Loans/Advances made.....	1,644	2,833
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(31,765)	(41,175)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(391)	(417)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	(70,000)
21			
22	Borrowings/Payments of Intercompany Payable.....	(59,986)	12,467
23	Net Cash Provided (Used) By Financing Activities.....	(60,377)	(57,950)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(8,124)	621
25	Cash and Cash Equivalents at Beginning of Period.....	37,061	36,440
26	Cash and Cash Equivalents at End of Period.....	\$ 28,937	\$ 37,061

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 44,355	\$ 44,429
28	Income Taxes.....	\$ 24,951	\$ 25,454

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
29	Net Income (Loss).....	\$ 33,326	\$ 36,857
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	36,972	37,797
31	Amortization of Other Assets.....	14	83
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	(479)	785
36	(Gain) Loss on Casino Reinvestment Obligations.....	2,572	2,046
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons' Checks.....	1,163	(1,463)
39	Net (Increase) Decrease in Inventories.....	311	104
40	Net (Increase) Decrease in Other Current Assets.....	(387)	(816)
41	Net (Increase) Decrease in Other Assets.....	18	-
42	Net Increase (Decrease) in Accounts Payable.....	(8,065)	7,146
	Net Increase (Decrease) in Other Current Liabilities Excluding Debt.....	18,205	16,862
44	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	368	345
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 84,018	\$ 99,746

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>		
48	Additions to Property and Equipment.....	\$ 27,416	\$ 38,064
49	Less: Capital Lease Obligations Incurred.....		
50	Cash Outflows for Property and Equipment.....	\$ 27,416	\$ 38,064
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>		
51	Property and Equipment Acquired.....		
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows to Acquire Business Entities.....	\$ -	\$ -
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>		
57	Total Issuances of Stock or Capital Contributions.....		
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

## SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	593,053	\$ 24,396		
2	Food	2,546,319	36,135		
3	Beverage	3,972,728	13,761		
4	Travel			62,726	\$ 3,147
5	Bus Program Cash	599,060	8,276		
6	Other Cash Complimentaries	834,468	40,916		
7	Entertainment	134,558	3,252	37,174	1,883
8	Retail & Non-Cash Gifts	167,145	4,819	92,914	7,250
9	Parking				
10	Other*	2,809	426	89,077	2,245
11	Total	8,850,140	\$ 131,981	281,891	\$ 14,525

FOR THE THREE MONTHS ENDED DECEMBER 31, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	138,441	\$ 5,933		
2	Food	537,004	7,856		
3	Beverage	931,719	3,249		
4	Travel			45,685	\$ 918
5	Bus Program Cash	123,429	1,803		
6	Other Cash Complimentaries	181,446	8,341		
7	Entertainment	32,691	855	8,905	833
8	Retail & Non-Cash Gifts	38,334	1,076	34,097	2,984
9	Parking				
10	Other*	581	123	30,713	623
11	Total	1,983,645	\$ 29,236	119,400	\$ 5,358

\* No single item within "Other" exceeds 5% of the total.



**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

Boardwalk Regency Corporation (the "Company"), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. ("CNJ"), a New Jersey corporation. The Company owns and operates Caesars Atlantic City Hotel/Casino ("CAC") in Atlantic City, New Jersey. CNJ is a wholly owned subsidiary of Caesars World, Inc. ("CWI"), a Florida corporation, and CWI is a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at December 31, 2003 and 2002, and its statements of income for the three and twelve months ended December 31, 2003 and 2002 and its statements of cash flows for the twelve months ended December 31, 2003 and 2002. All such adjustments were of a normal recurring nature.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

EITF 00-14 "Accounting for Certain Sales Incentives," which became effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

**Property and equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$8,732 and \$9,309 for the three months ended December 31, 2003 and 2002, respectively, and \$36,972 and \$37,797 for the twelve months ended December 31, 2003 and 2002, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

**Long-lived assets**

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). The Company was required to adopt SFAS 142 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for Impairment of Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

impairment of long-lived assets, and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company was required to adopt SFAS 144 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

**Connection Card Program**

During the 2nd quarter of 2003, the Company, along with its CEI Atlantic City affiliates, implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion in accordance with the rules of the program at any CEI casino in the United States. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

**Fair values of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at December 31, 2003 and 2002.

**Accounting Pronouncements**

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

On January 17, 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Income taxes**

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

**Recent tax legislation**

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 2 – RECEIVABLES AND PATRONS’ CHECKS**

Receivables and patrons’ checks as of December 31 consist of the following:

	<u>2003</u>	<u>2002</u>
Casino receivables (net of allowance for doubtful accounts – 2003, \$6,855; 2002, \$7,321)	\$ 11,585	\$ 13,575
Other (net of allowance for doubtful accounts – 2003, \$352; 2002, \$536)	4,756	3,961
Due from CEI	92,787	32,801
Due from other affiliates	810	778
	<u>\$109,938</u>	<u>\$ 51,115</u>

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments advances and receivables as of December 31 consist of the following:

	<u>2003</u>	<u>2002</u>
CRDA deposits	\$ 15,199	\$ 11,909
CRDA bonds receivable	2,893	2,806
CRDA Seat License Agreement	4,742	5,216
CRDA Long-term note receivable	864	890
CRDA Donations	481	-
Other, net	36	20
	<u>24,215</u>	<u>20,841</u>
Less: valuation allowance on CRDA investments	<u>(6,319)</u>	<u>(5,201)</u>
	<u>\$17,896</u>	<u>\$ 15,640</u>

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31 consist of the following:

	<u>2003</u>	<u>2002</u>
Land	\$ 118,090	\$ 118,090
Buildings and improvements	550,784	543,451
Furniture, fixtures and equipment	228,321	208,249
Construction in progress	<u>6,169</u>	<u>10,723</u>
	903,364	880,513
Less accumulated depreciation and amortization	<u>(376,063)</u>	<u>(343,656)</u>
	<u>\$ 527,301</u>	<u>\$ 536,857</u>

**NOTE 5 - NOTES PAYABLE**

At December 31, 2000, the Company entered into an uncommitted \$50,000 credit facility with Caesars Entertainment Finance Corporation (CEFC), a wholly owned subsidiary of CEI. At December 31, 2003 and 2002, respectively, there was no outstanding balance.

**NOTE 6 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of December 31 consist of the following:

	<u>2003</u>	<u>2002</u>
Accrued payroll and benefits	\$16,474	\$10,791
Insurance claims	4,035	5,379
Real estate taxes	3,136	3,135
Other	<u>8,039</u>	<u>8,969</u>
	<u>\$31,684</u>	<u>\$28,274</u>

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 7- OTHER CURRENT LIABILITIES**

Other current liabilities as of December 31 consist of the following:

	<u>2003</u>	<u>2002</u>
Due to affiliates	\$52,824	\$40,469
Unredeemed slot promotions liability	1,771	1,612
Unredeemed chip and token liability	2,737	5,091
Other	<u>6,358</u>	<u>1,723</u>
	<u>\$63,690</u>	<u>\$48,895</u>

**NOTE 8 - LONG-TERM DEBT - DUE TO AFFILIATES**

Long-term debt - due to affiliates as of December 31, 2003 and 2002, respectively consists of a Caesars Entertainment Finance Corp note due December 31, 2010 at 8.50%.

**NOTE 9 - LONG-TERM DEBT, OTHER**

Long-term debt, other as of December 31 consists of the following:

	<u>2003</u>	<u>2002</u>
Mortgage Note due October 15, 2011		
Interest at 10.0%	\$ 720	\$ 746
Capitalized lease obligation, net		
of amounts representing interest	<u>33</u>	<u>398</u>
	753	1,144
Less: current maturities	<u>(61)</u>	<u>(416)</u>
	<u>\$ 692</u>	<u>\$ 728</u>

**Boardwalk Regency Corporation (Caesars Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 10 – CHARGES FROM AFFILIATES - MANAGEMENT FEE**

The Company has recorded expenses for the three months ended December 31 from CWI and affiliates as follows:

		<u>2003</u>	<u>2002</u>
<u>Affiliate</u>	<u>Transaction</u>		
Caesars World, Inc.	Management fee	\$ 4,105	\$ 3,829
Caesars Palace Corp.	Trade name fee	<u>1,635</u>	<u>1,587</u>
		<u>\$ 5,740</u>	<u>\$ 5,416</u>

The Company has recorded expenses for the twelve months ended December 31 from CWI and affiliates as follows:

		<u>2003</u>	<u>2002</u>
<u>Affiliate</u>	<u>Transaction</u>		
Caesars World, Inc.	Management fee	\$16,678	\$16,912
Caesars Palace Corp.	Trade name fee	<u>6,442</u>	<u>6,316</u>
		<u>\$23,120</u>	<u>\$23,228</u>

**NOTE 11 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended December 31 consists of the following:

	<u>2003</u>	<u>2002</u>
Interest income	\$ 69	\$ 88
Gain (loss) on disposal of equipment	<u>48</u>	<u>(783)</u>
	<u>\$ 117</u>	<u>\$ (695)</u>

Nonoperating income (expense) for the twelve months ended December 31 consists of the following:

	<u>2003</u>	<u>2002</u>
Interest income	\$ 288	\$ 317
Gain (loss) on disposal of equipment	<u>479</u>	<u>(785)</u>
	<u>\$ 767</u>	<u>\$ (468)</u>



## STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2 (b) 1-5 during the quarter.



Signature

Assistant Vice President/Controller

Title

#6908-11

License Number

On Behalf Of:

Boardwalk Regency Corporation

Casino Licensee

# **SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS**

**LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

## SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

### ACCOUNTS RECEIVABLE BALANCES

LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE
	Patrons' Checks:			
1	Undeposited patrons' checks .....	\$ 8,886		
2	Returned patrons' checks .....	9,554		
3	Total patrons' checks .....	18,440	\$ (6,855)	\$ 11,585
4	Hotel Receivables .....	2,597	(352)	2,245
	Other Receivables:			
5	Receivables due from officers and employees .....	29		
6	Receivables due from affiliates .....	93,597		
7	Other accounts and notes receivables .....	2,482		
8	Total other receivables .....	96,108	---	96,108
9	Totals (Form CCC 205) .....	\$ 117,145	\$ (7,207)	\$ 109,938

### UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1) .....	\$ 10,027
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) .....	296,526
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits) .....	(110,267)
13	Checks collected through deposits .....	(15,867)
14	Checks transferred to returned checks .....	(171,533)
15	Other adjustments .....	---
16	Ending Balance .....	\$ 8,886
17	"Hold" Checks Included In Balance On Line 16 .....	\$ 0
18	Provision For Uncollectible Patrons' Checks .....	\$ 2,507
19	Provision As A Percent Of Counter Checks Issued .....	0.85%

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

March 31, 2004

Date



Signature

Assistant Vice President/Controller

Title of Officer

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

FOR THE YEAR ENDED DECEMBER 31, 2003

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

## ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2003

(\$ in thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
1	Administration .....	37			
2	Gaming .....	1,044			
3	Slots .....	216			
4	Casino accounting .....	335			
5	Simulcasting .....	17			
6	Other .....	0			
7	Total-casino .....	1,649	\$ 42,012	\$ 451	\$ 42,463
8	ROOMS .....	379	8,153	189	8,342
9	FOOD AND BEVERAGE .....	1,178	25,457	176	25,633
	OTHER OPERATED DEPARTMENTS				
10	Parking Operations .....	107	1,356		1,356
11	Health Club / Pool Services .....	10	199		199
12	Telephone room .....	29	535		535
13	Retail stores .....	25	469		469
14	Coat Check .....	4	76		76
15					
16					
17					
18					
19					
	ADMINISTRATIVE AND GENERAL				
20	Executive office .....	13	582	1,351	1,933
21	Accounting and auditing .....	49	1,598		1,598
22	Security .....	253	6,271		6,271
23	Other administrative and general department .....	56	1,516		1,516
24	MARKETING .....	252	7,410	1,094	8,504
25	GUEST ENTERTAINMENT .....	27	1,751		1,751
26	PROPERTY OPERATION AND MAINTENANCE .....	368	10,102		10,102
27	TOTALS - ALL DEPARTMENTS .....	4,399	\$ 107,487	\$ 3,261	110,748

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

**ANNUAL EMPLOYMENT AND PAYROLL REPORT  
SIGNATURE PAGE**

FOR THE YEAR ENDED DECEMBER 31, 2003

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

  
\_\_\_\_\_  
Signature

March 31, 2004  
Date

Assistant Vice President/Controller  
Title

# GROSS REVENUE ANNUAL TAX RETURN

LICENSEE  
ADDRESS

BOARDWALK REGENCY CORPORATION  
2100 PACIFIC AVE.  
ATLANTIC CITY, NEW JERSEY 08401

FOR THE YEAR ENDED DECEMBER 31, 2003

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

NAME OF OFFICER IN CHARGE  
OF CORRESPONDENCE REGARDING  
THIS ANNUAL TAX RETURN .....

Susan A. Cowell

OFFICIAL TITLE.....

Casino Controller

ADDRESS.....

2100 Pacific Ave.  
Atlantic City, New Jersey 08401

TRADING NAME OF LICENSEE CAESARS ATLANTIC CITY

## GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2003

(\$ in Thousands)

Line

CASINO WIN:

1.	Table and Other Games Win.....	\$	165,987
2.	Slot Machines Win.....		353,100
3.	Total Win.....		519,087

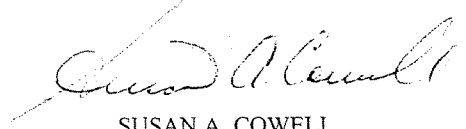
Less - Adjustment for Uncollectible Patrons' Checks:

4.	Provision for Uncollectible Patrons' Checks .....	\$	1,326
5.	Maximum Adjustment (4% of line 3) .....		20,763
6.	Adjustment (the lesser of line 4 or line 5) .....		1,327
7.	Gross Revenue (line 3 less line 6).....	\$	517,760
8.	Tax on Gross Revenue - Reporting Year (8% of line 7).....	\$	41,421
9.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years .....		-
10.	Total Taxes on Gross Revenue (the sum of lines 8 and 9).....		41,421
11.	Total Deposits Made for Tax on Reporting Year's Gross Revenue.....		(41,421)
Settlement of Prior Years' Tax on Gross Revenue			
12.	Resulting from Audit or Other Adjustments - (Deposits) Credits .....		-
13.	Gross Revenue Taxes Payable (the net of lines 10, 11 and 12) .....	\$	-

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/9/04

Date

  
SUSAN A. COWELL

Signature

Casino Controller

Title of Officer